

M e m o r a n d u m

To: Panel Members Date: August 27, 2004

From: Creighton Chan, Manager Analyst: D. Woodside

Subject: PROPOSED AMENDMENT NUMBER ONE FOR **AGILENT TECHNOLOGIES, INC.**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Stimulating Exports/Imports
Moving To A High Performance Workplace
Promotion Of California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full-Time Employees:
 - Worldwide: 32,530
 - In California: 6,829
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs:
 - Present Program Costs:** \$1,365,000
 - Amendment Program Costs +:** \$1,267,500
 - Total Program Costs:** \$2,632,500
- Substantial Contribution:
 - Present Contract Contribution:** \$0
 - Amendment Contribution +:** \$0
 - Total Contributions:** \$0
- Total ETP Funding: \$2,632,500

- In-kind Contribution:

- *Total Contribution*

- Present Contract:** \$3,417,260

- Amendment:** \$6,508,010

- *Trainee Wages Paid During Training*

- Present Contract:** \$3,417,260

- Amendment:** \$6,508,010

- *Other Contributions:*

- Present Contract:** \$0

- Amendment:** \$0

- Reimbursement Method: Fixed-Fee
- County(ies) Served: Statewide

INTRODUCTION:

Agilent Technologies, Inc. (Agilent) is a manufacturer of products that sense, analyze, display and communicate data for use in the life sciences, chemical analysis, communications and electronics industries. Headquartered in Palo Alto, California, Agilent operates three businesses: life sciences and chemical analysis, test and measurement, and semiconductor products, all supported by a central research laboratory. As a pioneer in life sciences, Agilent has more than 20,000 products available, many of them disease detectors such as the "Lab-On-A-Chip," which has provided cheaper, faster, and more efficient tests that have resulted in major disease and drug discoveries. The Company qualifies for standard ETP funding as a manufacturing company facing out-of-state competition, under Title 22, California Code of Regulations, Section 4416(b).

Agilent is currently earning ETP funds under its second Panel Agreement which was approved by the Panel in September 2003. At that time, Agilent was funded to retrain 1,400 California workers to continue its transition to a high performance workplace, stimulate exports, and retain its workforce in California.

The Company is now requesting an additional \$1,267,500 in Panel funds in order to serve an additional 1,300 trainees (1,400 to 2,700). There are no other changes in the curriculum or the Company's original justification for the training. If the Amendment is approved at the August Panel meeting, Agilent will have 13 months to complete the additional training. A training schedule outlining the completion of training for the additional workers is on file with ETP. All of the initial 1,400 trainees are enrolled and training is progressing as planned.

In a letter to ETP dated September 10, 2003 (during development of this Agreement), Agilent representatives affirmed that there were an additional 3,600 California workers requiring retraining, but due to ETP budget cuts, Agilent understood that funds would not be available to serve all its trainees at that time. The letter states: "It is our intent to apply to ETP for funding for these workers when ETP's current budget is restored to historical levels and/or when ETP receives its 2004-2005 budget allocation, whichever is earlier."

INTRODUCTION: (continued)

This Amendment request is the result of the Company's original intention to train more of its 6,829 workers than originally approved for training under the current Agreement. Agilent's original Amendment request was for funding to retrain an additional 2,400 employees. However, because of the Panel's on-going budget limitations, the Company is requesting less funding at this time. As a result, this Amendment for Phase II only reflects an additional 1,300 trainees. Agilent representatives state that the Company is committed to doing business in California, maintaining corporate headquarters, central research lab facilities, and many production/manufacturing sites throughout the State.

MEETING ETP GOALS AND OBJECTIVES:

Agilent proposes training for additional California employees under Phase II which will further the following ETP goals and objectives as outlined in the Company's original proposal:

- 1) The Contractor reports that its customers include many of the world's leading pharmaceutical, communications, and high-technology firms (e.g. Merck, Pfizer, Dow Chemical, Intel, Lucent, Nokia, IBM, Ericsson, Cisco) and the United States Government, which rely on its products and services to make them more efficient. In order to maintain its customer base, Agilent must retrain California workers to continue its transition to a high performance workplace by providing advanced continuous improvement, computer skills, business, management, and manufacturing skills training. Thus, this project meets ETP's legislative mandate to develop frontline workers with skills that promote the retention and expansion of one of the state's significant manufacturers.
- 2) This project meets ETP's legislative mandate to support the growth of the California economy by stimulating exports from the state. More than half of Agilent's \$1.1 billion revenue is generated from outside of the United States, creating a huge tax base for California. Supporting this Company's efforts to research, develop, and manufacture innovative technology with the highest quality at the lowest price will assist the Panel to meet its mandate.
- 3) ETP's strategic plan supports the creation of secure, well-paying jobs in high technology and diversified manufacturing. This Amendment for Agilent meets the Panel's strategic goals, strengthens the life sciences industry in California, and spurs economic growth in California. In addition, according to the Contractor, ETP funds invested at Agilent will have a positive multiplier effect on the California economy. The Company reports that thousands of suppliers, ranging from very small specialty firms to mid-sized parts manufacturers throughout Silicon Valley, do business with Agilent.
- 4) Training is targeted to frontline workers earning high wages. The prevalent wage is \$31.70 per hour with an extensive benefit package. Advancing the skill level of Agilent's California workers will foster the retention of these high-wage, high-skilled jobs should Agilent meet customer requirements and increase its workforce's productivity.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Average Cost Per Trainee	Hourly Wage After 90 Days
<u>Phase 1</u> Job Number 1 Retrainees	Menu: Computer Skills Business Skills Management Skills Continuous Improvement Manufacturing Skills	1,400	24-200	0-30	\$975	\$14.25-\$59.50
					<u>Prevalent Hourly Wage</u> \$31.70	
					<u>Average Cost Per Trainee</u> \$975	
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> Although the Contractor pays health benefits for trainees, the hourly contribution is not being used to meet the ETP minimum wage requirement.					<u>Turnover Rate</u> 12%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 7%
<u>Other Employee Benefits:</u> Agilent provides a vision/dental plan, matching 401K contribution, a retirement plan, bonuses and employee stock option plan, tuition reimbursement, adoption assistance, long-term care insurance, flex-time and telecommuting options, healthcare reimbursement accounts, and health and fitness facilities.						

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Average Cost Per Trainee	Hourly Wage After 90 Days
<u>Phase II</u> Job Number 2 Retrainees	Menu: Computer Skills Business Skills Management Skills Continuous Improvement Manufacturing Skills	1,300	24-200	0-30	\$975	\$14.25- \$59.50
					<u>Prevalent Hourly Wage</u> \$31.70	
					<u>Average Cost Per Trainee</u> \$975	
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> Although the Contractor pays health benefits for trainees, the hourly contribution is not being used to meet the ETP minimum wage requirement.					<u>Turnover Rate</u> 12%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 4%
<u>Other Employee Benefits:</u> Agilent provides a vision/dental plan, matching 401K contribution, a retirement plan, bonuses and employee stock option plan, tuition reimbursement, adoption assistance, long-term care insurance, flex-time and telecommuting options, healthcare reimbursement accounts, and health and fitness facilities.						

COMMENTS / ISSUES:

➤ *Frontline Workers*

All participants in this project meet the Panel definition of frontline workers under Title 22, California Code of Regulations, Section 4400(ee) except for 150 production supervisors.

➤ *Production During Training*

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

PROPOSED ACTION:

Staff recommends that the Panel approve this Amendment if funding is available and the project meets ETP priorities.

NARRATIVE:

This Amendment for Phase II will assist in the retraining of an additional 1,300 employees working in San Jose, San Francisco, Pleasanton, West Lake Village, Santa Clara, Mountain View, Santa Rosa, Rohnert Park, Roseville, and Folsom, California.

Agilent representatives state that the Company's objective is to return the corporation to profitability. To do this, Agilent is requesting the Panel's assistance to retrain additional workers in process improvements, new manufacturing technologies, and computer systems to increase customer satisfaction, control costs, and reduce waste.

Continuous Improvement training teaches employees to promote innovation, achieve zero product defect rates, improve reliability, and result in higher yield objectives as defined by Agilent's Quality Management System standards. Manufacturing, design, quality, research and allied production jobs will be trained in a spectrum of new skills that include analytical problem-solving, production-level decision-making, ISO deployment and relevant internal business process applications.

Business Skills training will teach engineers, production supervisors, and technicians advanced team skills, project management, and core practices for effectiveness in producing in a dynamic, team-centered work environment. The objective of this training is to equip workers with the skills to foster long-term customer and supplier relationships, collaboration, and gain a complete understanding of the sales environment as well as the technical acumen to conduct effective business operations.

Management Skills training will teach production supervisors involved with day-to-day production and quality under the new manufacturing systems and will meet the requirement for training in managing remote and virtual teams, leadership, coaching, and other core practices for managing effectively in a high performance environment.

Computer Skills trains programmers and employees across all occupations, in such areas as eBusiness and supply chain software applications, manufacturing automation tools and

NARRATIVE: (continued)

techniques, web development, desktop productivity, and Customer Relationship Management (CRM) applications. The CRM system enables Agilent to provide service, support and product parts more efficiently and cost-effectively than it has the past.

Manufacturing Skills training will teach assemblers, engineers, technicians, and production supervisors the latest manufacturing skills to build and operate equipment to customer specifications. This includes process technology in gene expression systems, gas chromatography, mass spectrometry, and other manufacturing product/process knowledge.

Supplemental Nature of Training

State law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs. Agilent certified in writing that ETP-funded training is only a small portion of the training it offers to all of its employees in a variety of topics including: general computer skills; leadership skills training for those employees seeking promotion; new hire and company orientation; workplace literacy; executive development; general industry safety training; and developing Company mission and values. When the Agreement was originally approved by the Panel, Agilent representatives reported that the Company would continue to offer on-going training to all employees outside the scope of ETP funding and maintain its current training budget of \$4,960,340. Because of the success of the ETP programs to date, Agilent now expects to increase its training investment level by approximately \$3,350,000, bringing the total training budget to over \$8 million in 2004 with increased support in 2005 and beyond. This investment provides further evidence that ETP funds have promoted the value of employee training at Agilent and have not displaced the Company's on-going training programs.

ACTIVE PROJECTS:

The following are current project statistics:

ACTIVE PROJECTS						
Agreement Number	Agreement Amount	Term	Planned Number To Be Retained	Number Enrolled	Number Completed Training	Number Retained For 90 Days
ET04-0467	\$1,365,000	12/31/03-12/30/05	1,400	1,443	-0-	-0-

Agilent Technologies, Inc.
Curriculum

Hours
<u>Class/Lab</u> <u>CBT</u>
10 – 200 0 - 30

SUBJECT:

Computer Skills

These courses provide supplemental training in factory automation, desktop productivity, and eBusiness applications.

Customer Relationship Management (CRM) Software
Supply Chain Management Application
eBusiness Applications
Manufacturing Automation Tools and Techniques
Unix Software Applications
Advanced Desktop Applications Software
Web Development Applications
Enterprise Resources Planning Software
Brio Navigation and Report Writing

Continuous Improvement

These courses provide supplemental training in advanced continuous improvement tools and techniques.

Quality Management System (QMS) Training
Advanced Design of Experiments DOE
Advanced Product Development Process
Product Life Cycle Team Training
Engineering Change Order – Creation, Review and Processing
Advanced Systems Integration Improvement Training
Computer Assisted Design (CAD) Tools and Techniques
Integrated Manufacturing Systems – Through Innovation
Process Improvement Training
Quality Process Development and Applications
Advanced Problem-Solving Tools and Techniques
Advanced ISO Deployment Skills
Quality Maturity Model Training

Agilent Technologies, Inc.
Curriculum

Manufacturing Skills

These courses provide supplemental training in advanced machines and assembly processes.

Gene Expression Systems
Advanced Gas Chromatography Techniques
Chemstation Installation, Familiarization and Repair
Preventative Maintenance and Trouble Shooting (All)
Advanced Materials Conventions and Applications
Capillary Electrophoresis Techniques
Advanced Mass Spectrometry
Ethernet Network Analysis with Agilent Network Analyzer
System on a Chip - Agilent 9300 Series Training
Mobile Station Measurements for Engineers
In Circuit Test Equipment,
Automated X-Ray Inspection Systems,
Total Productive Maintenance (TMP) Training
Network and Spectrum Analysis Measurement Training
Pneumatic Systems Manufacturing Process

Business Skills

These courses provide supplemental training to field and customer engineers to respond to customer demands.

Navigating through Organizational Change
Winning Customer Loyalty
Customer Finance and Buying Decision Modeling
Advanced Problem-Solving
Account Team Relationships
Finance for Non-Finance Employees
Situational Sales Negotiation (Advanced Product Sales)
Strategic Buying and Planning
Technical Schema Presentation Skills
Program Management
Product Marketing for Engineers

Agilent Technologies, Inc.
Curriculum

Business Skills (continued)

Original Equipment Manufacturer Sales Techniques
Marketing Promotion and Position
Agilent Inspection Value and Pricing Techniques
Computer Based Decision Models

Management Skills

These courses provide supplemental training to frontline production supervisors.

Managing Remote and Virtual Teams
Advanced Leadership Skills
Advanced Coaching Skills
Advanced Project Management
Technical Team Development and Leadership
Managing for Technology Innovation
Technical Business and Finance Management